Communication within the higher education community has greatly increased during performance funding.

In part, communication has increased during performance funding because of necessary data discussions; however, of greater value has been the increased communication between an agency charged with regulating higher education and the institutions actually implementing those regulations. Performance funding has resulted in stronger communication about the effects of indicators and campus implementation issues. In addition, institutions are now competing and collaborating using known, standardized data. Since the implementation of performance funding, the institutions and the Commission on Higher Education more frequently base policy decisions on comparative data. Using more data to guide policy decisions continues to reflect a changing culture at all levels of higher education.

Although some may say the above goals might have been achieved without performance funding, that cannot be known. Neither can it be known that performance funding was the *only* reason for these achievements. What is known and can be documented is that these changes occurred and are continuing to occur since South Carolina implemented performance funding.

Whether it is the act of shining a spotlight on an area or of implementing different policies in an area that produces change, the fact is performance funding has undisputedly caused higher education to look at itself with a more critical eye.

In the past seven years, performance funding in South Carolina has most definitely focused state leaders on documenting and reaffirming the value of a college education—the value to the state, to our constituencies, and most importantly to our students who enter the doors of our institutions with the goals of earning degrees and certificates, and becoming better educated citizens.

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South Carolina Commission on Higher Education

PERFORMANCE FUNDING AT A GLANCE

An Introduction to South Carolina's Performance Funding System

- What is Performance Funding?
- How does it work?
- What does it do for South Carolina?
- What are the lessons learned?
- What are some goals achieved?

Building Excellence Through Accountability

What is Performance Funding?

Performance funding is a system for evaluating educational quality and allotting funds to higher education institutions based on their institutional performance. Performance funding has nine critical success areas—mission focus, quality of faculty, classroom quality, cooperation and collaboration, administrative efficiency, entrance requirements, graduates' achievements, user-friendliness, and research funding. Each of these critical success areas has performance indicators which are scored. All indicator scores are averaged to determine an overall institutional score.

Performance funding has two parts. 1) The mission resource requirement (MRR) defines how much funding institutions need to continue to operate at acceptable levels. This is called the "needs" component and is done each year for the next year's budget process. 2) An evaluation component that assesses institutions on how they perform on a defined number of indicators that are outcome driven. This is often called the "report card" component.

When did Performance Funding begin?

The South Carolina General Assembly passed Act 359 of 1996 as part of a wide-sweeping educational initiative that called for changes in higher education. These changes a) redefined the role and governance structure of the South Carolina Commission on Higher Education, b) strengthened the authority of the Commission, and c) instituted performance funding. The Act also defined the mission for higher education and the mission for each sector of institutions—research, teaching, two-year regional campuses, and technical colleges—and outlined 37 indicators that could be used to evaluate institutional quality.

The South Carolina Commission on Higher Education was charged to work with the state's public colleges and universities to implement performance funding on a phase-in basis. During the first year, 1996-97, 14 indicators were assessed and $4.5M was allotted to institutions based on performance. During Year 2, 1997-98, 22 indicators were assessed and $270M was allocated based on performance. By 1998-1999, all indicators were assessed and institutional operating funds were based on performance funding. In 2000, a national consulting firm completed a validation study of the MRR. South Carolina is now planning for Year 8 of performance funding.

What are some goals achieved?

The following goals have been achieved since the implementation of Performance Funding:

- More academic programs have received accreditation (20% more) than prior to Performance Funding
- Institutional reports show 25 degree programs without accreditation are no longer offered at S.C. public institutions
- Post-tenure review occurs at least every six years at <u>all</u> public institutions of higher education
- All higher education faculty are reviewed annually
- Student evaluations of faculty must be used in all faculty reviews
- Electronic transmission of student transcripts now allows for an easier and quicker student transfer process
- State-wide transfer of course credits from technical to senior institutions is more standardized
- Campus budget reallocations to academic areas are occurring
- Average S.C. public institutions' faculty salaries have now reached at least 75% of average faculty salaries nationwide
- Graduation rates are increasing
- Minority enrollments and minority student retention rates are increasing
- Despite lower than average national SAT scores, South Carolina college students score higher than average on national standardized certification exams often required for the workplace

What are some lessons learned?

Comparative data is not readily available for higher education outcomes.

Defining educational outcomes based on data is often complicated. Data must first be gathered in a standardized manner so comparisons are valid (apples are compared to apples). Early in performance funding, it was assumed that data were the same because of federal guidelines, but this was not always the case. Corrections were made, and now South Carolina is known as one of the "cleanest data" states in the nation, with a vastly more effective ability to advance research on higher education outcomes and accountability.

There are costs associated with implementing higher education accountability systems.

Accountability systems using comparative data have costs associated with their implementation. To accomplish performance funding, computer systems often needed to be re-programmed to capture critical data, personnel were reassigned to use data to inform policy makers, and areas of responsibility were shifted inside some institutions because of a mandate from outside the institution. Institutional funding was shifted to implement and maintain performance funding and to focus improvement in areas within an institution that might not have been targeted prior to performance funding.

For example, prior to performance funding, achieving accreditation in a degree program was not a goal for all institutions. Some did not want to implement this process, believing their dollars should be spent elsewhere on campus. In those instances, the Commission had to weigh the needs and objectives of an individual institution with those of the state and the right of students to receive the same high quality from similar degree programs at similar institutions. Some would argue that program accreditation does not necessarily guarantee program quality; however, to date it is the best recognized educational standard available.

The Commission on Higher Education and the state's public institutions of higher education have worked together to decrease costs associated with performance funding by using required federal data more, streamlining the reporting process, and using performance funding data for other campus uses.

Why did Performance Funding occur?

Beginning in the 1990's shifting demographics and new technologies increased the demands on K-16 education. The rising costs of college in relationship to its value became an important focus for public constituents—taxpayers, parents, students, businesses, and policymakers. Higher education was recognized as a critical player in economic development with direct responsibility to educate a knowledgeable workforce and informed citizenry. This environment propelled accountability initiatives in K-16 throughout the U.S. During this past decade, South Carolina was the first state to implement a higher education accountability law that allotted direct operating funds to public higher education institutions based on numerical report card scores. Since then other states have followed with similar efforts.

What does the system do?

Performance funding gives the public access to information that compares the performance of similar institutions on similar indicators. For example, now a parent can compare similar institutions in one sector on such things as student graduation rates, the number of faculty teaching in their degree fields, or the pass rates of students on national certification exams often required in the workplace.

Performance funding allows the executive and legislative branches of government to be more confident that higher education is accountable to the public it serves. Information relevant to the needs of the state, such as institutional access, student achievement, faculty credentials, and graduation rates are now more readily available because of performance funding. The system also allows the South Carolina Commission on Higher Education to better evaluate institutions using appropriate comparable data.

Performance funding allows institutions to demonstrate their achievement on indicators identified by the S.C. General Assembly. In turn, the General Assembly planned a system that would increase funding to institutions that excelled. Recently, however, state support for higher education has shifted to student scholarships and grants designed to increase college access while institutional operating funds allotted through performance funding have decreased. The result of climbing enrollments and declining operating funds will affect institutional budget priorities regardless of the score an institution might receive. This will be a continuing challenge for the performance funding system.

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